HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Victoria CMA

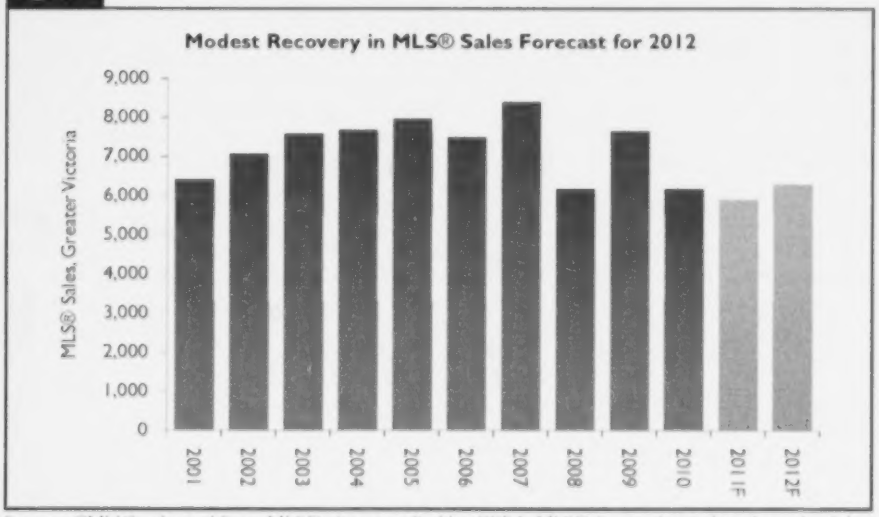
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2011

Victoria Highlights[1]

- The resale market will trend towards balanced market conditions in 2012 from conditions favouring buyers in 2011.
- MLS®[2] sales are expected to increase seven per cent in 2012 after declining four per cent in 2011.
- The annual average MLS® sales price will edge up one per cent to $505,000 in 2012.
- Led by multi-family construction, a modest nine per cent increase in housing starts is forecast for 2012.

Figure 1



Source: CMHC, adapted from MLS® data supplied by CREA. MLS® is a registered trademark of the Canadian Real Estate Association.

[1] The forecasts included in this document are based on information available as of October 5, 2011, except for the addition of new information regarding the British Columbia and Nova Scotia shipbuilding contracts of October 19th, 2011.

[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

Table of Contents

1 Victoria Highlights

2 Balanced Resale Market Conditions In 2012

3 Modest Increase In Housing Starts Forecast For Next Year

4 Labour Market Recovery Gaining Traction

5 Forecast Summary Table

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Balanced Resale Market Conditions In 2012

Resale market conditions eased this year but will trend towards balanced market conditions in 2012. Through the first three quarters of 2011, total Multiple Listing Service® (MLS®) sales in Greater Victoria were down eight per cent relative to the first three quarters of 2010, and 19 per cent below the average level of sales recorded over the previous ten years.[3] Home ownership demand was tempered by a slower than anticipated recovery in full-time employment. An estimated 5,900 MLS® sales will be recorded in 2011, slightly below the level of resale activity recorded in 2010.

Figure 2

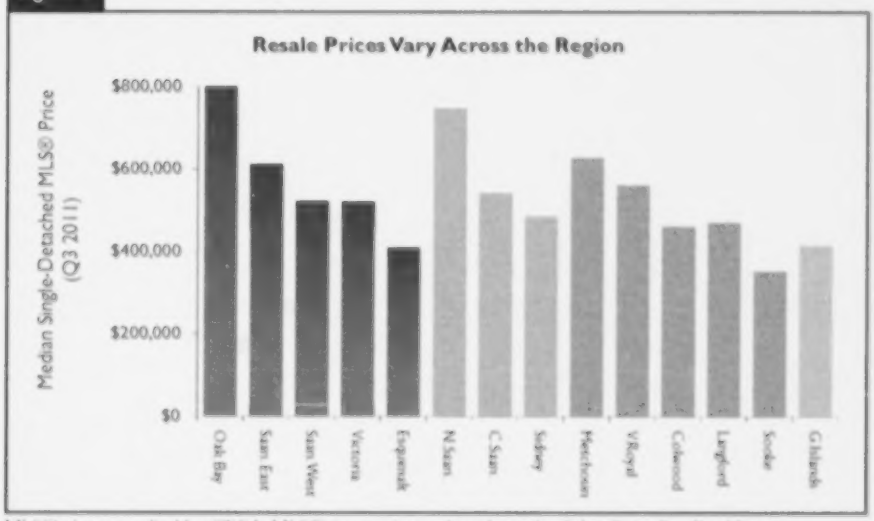
Source: CMHC, adapted from MLS® data supplied by CREA. MLS® is a registered trademark of the Canadian Real Estate Association.

Resale demand will increase marginally in 2012, as the positive impacts of continued low mortgage interest rates and stable resale prices will be offset by the uncertainty associated with global economic conditions. As a result, the level of MLS® transactions will increase modestly to 6,300 in 2012.[4] The distribution of existing home sales will remain consistent with what has been recorded in recent years. Single-detached homes will account for roughly 60 per cent of MLS® sales next year, while apartment condominiums will represent 30 per cent of the annual total.

The lower level of existing home sales recorded through the first three quarters of the year has impacted the supply of existing homes only marginally. Year-to-date new MLS® listings have edged down only two per cent relative to last year, while the number of active listings has increased 14 per cent relative to last September. New listings are expected to fall in 2012, as the market responds to the leveling off of existing home prices.

The sales to new listings ratio, a key barometer of resale market conditions, is also a leading indicator of resale house prices. A declining sales to new listings ratio shifted the local resale market from balanced conditions to buyers' during the first half of 2011, and resulted in relatively flat resale prices. With the forecast average 2011 MLS® sales price set at $500,000, this represents a one

Figure 3



MLS® data supplied by CREA. MLS® is a registered trademark of the Canadian Real Estate Association.

[3] *The Victoria resale market refers to the area served by the Victoria Real Estate Board (VREB). This area includes Greater Victoria (from Sooke to Sidney), up-Island as far as Cherry Point Road in Cobble Hill, and the Gulf Islands (source: www.vreb.org).*

[4] *The ten-year (2001-2010) average number of MLS® sales in Greater Victoria is 7,262.*

per cent decline from the 2010 average. The modest rebound in resale activity forecast for 2012, combined with fewer listings, will push the market back into a balance between demand and supply conditions. The average price will edge up to $505,000 in 2012, in conjunction with the rising sales to new listings ratio.

Intra Resale Market Variation

The MLS® statistics discussed above reflect transactions involving all residential dwelling types, and across all sub-regions. While these aggregate statistics are useful, breaking the data down by dwelling type and sub-region sheds some light onto the intra-market variation that exists within the Victoria resale market.

During the third quarter of this year, the median single-detached home price was 86 per cent higher than the median apartment condominium price. In addition to the price variation that exists across dwelling types, significant geographic price differentials are prevalent across the Victoria resale market. The median single-detached home price in Oak Bay was more than double that recorded in Sooke (see Figure 2).

Modest Increase In Housing Starts Forecast For Next Year

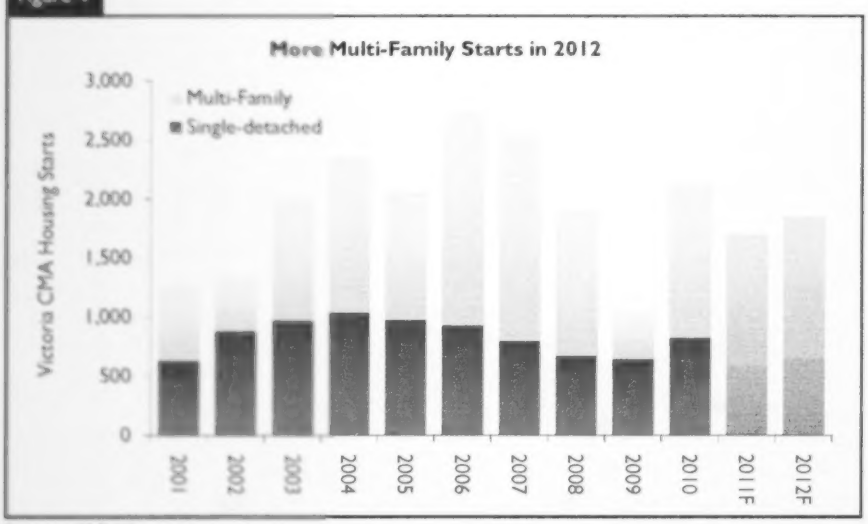
The level of Victoria Census Metropolitan Area (CMA) new home construction will approach 1,700 housing starts in 2011, and is forecast to reach 1,850 starts in 2012.[5] Multi-family construction activity will remain consistent with the ten-year average for the CMA, while single-detached housing starts will lag below the historical average both this year and next.

Local builders are forecast to start 1,110 multi-family units in 2011 and 1,200 units next year, as numerous projects are currently flowing through the construction pipeline (this includes the planning and development approvals stages) across the CMA. The majority of multi-family units being built are apartment condominiums, expected to account for between 45 and 50 per cent of total housing starts both this year and next. The mix between housing types has remained consistent over the past decade.

Single-detached new home starts have been lower than last year through the first three quarters of 2011. Foundations will be poured for an estimated 590 new single-detached homes in 2011 – nearly 30 per cent below the ten-year average for the CMA. This lower level of new construction has been apparent across all regions – from Saanich to Langford, and is positive as developers wait to see a reduction in the existing level of resale supply.

Following the economic downturn that commenced in 2007, there has been a gradual shift in the focus of local homebuilders and developers. The building community is cognizant of the growing demands of price-sensitive local consumers. While the supply of existing homes remains elevated from a historical perspective, new homes are being absorbed quickly if they cater to specific price points. While this trend has been slower to emerge within the single-detached home market (as evidenced by rising new home prices), local developers continue to market new apartment condominium projects geared to price-conscious buyers.

Figure 4



Source: CMHC

[5] *The Victoria CMA is similar to the Greater Victoria area outlined by VREB, but does not include the Gulf Islands, Malahat, Shawnigan Lake, Mill Bay, or Cobble Hill.*

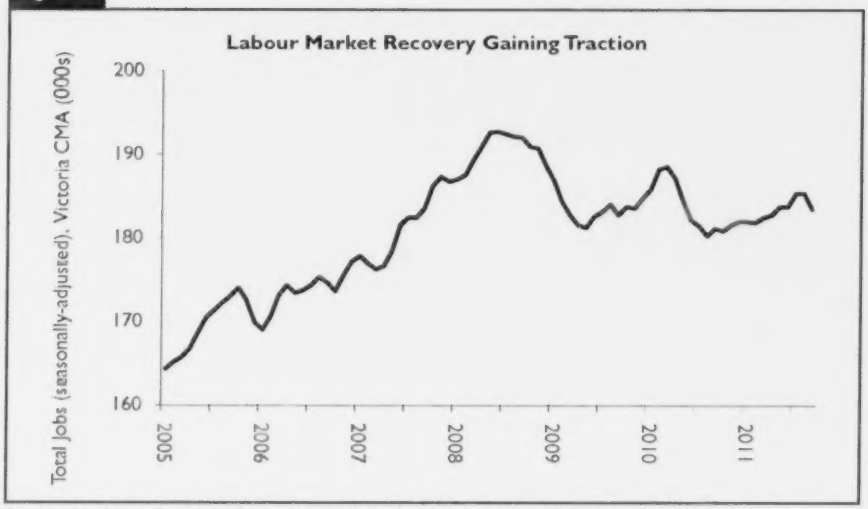
Labour Market Recovery Gaining Traction

The British Columbia economy is forecast to expand at a moderate pace in 2012. The Victoria CMA economy will follow a growth pattern similar to the provincial economy as a whole over the short-term, providing positive support for the housing sector. The projections for sales and home starts are based on positive net migration and population growth, job growth (both part-time and full-time), and continued investment in both residential and non-residential construction projects.

While the Victoria labour market has taken longer to rebound from the economic downturn than the Vancouver CMA and provincial labour markets, there are signs that the recovery is gaining traction. Job growth has been recorded in Victoria since the fourth quarter of last year, and total employment (seasonally-adjusted) sits only five per cent below the pre-downturn peak recorded in 2008.[6] Continued job growth is projected for 2012, with total employment forecast to increase more than two per cent.

Construction will be a growth driver in 2012. The housing starts forecast for 2012 will stimulate the local economy, generating jobs and income. Planned non-residential investment across the Victoria CMA includes: the construction of a new facility to house the Marine Helicopter Squadron in North Saanich, a Central Saanich Power Centre, the replacement of Oak Bay High School, Colwood Corners mixed-use development, the expansion of the Vancouver Island Technology Park, a new Sobeys Distribution Centre near the airport, and the replacement of the Johnson Street bridge.

Figure 5



Source: Statistics Canada, adjusted by CMHC (seasonally adjusted 3-month moving average).

Mortgage rates:

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

[6] Latest data point is September 2011, when the seasonally-adjusted number of jobs (full-time and part-time) was 183,400 (source: Statistics Canada).

Forecast Summary
Victoria CMA
Fall 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	6,171	7,660	6,169	5,900	-4.4	6,300	6.8
MLS® New Listings	13,928	11,745	13,250	12,100	-8.7	11,500	-5.0
MLS® Average Price ($)	484,898	476,137	504,561	500,000	-0.9	505,000	1.0
New Home Market							
Starts:							
Single-Detached	673	647	827	590	-28.7	650	10.2
Multiples	1,232	387	1,291	1,110	-14.0	1,200	8.1
Semi-Detached	154	186	234	170	-27.4	190	11.8
Row/Townhouse	150	62	162	130	-19.8	150	15.4
Apartments	928	139	895	950	6.1	1,110	16.8
Starts - Total	1,905	1,034	2,118	1,700	-19.7	1,850	8.8
Average Price ($):							
Single-Detached	676,701	668,875	635,664	675,000	6.2	658,000	-2.5
Median Price ($):							
Single-Detached	599,900	599,900	595,500	625,000	5.0	611,000	-2.2
New Housing Price Index (% chg.)	-0.1	-7.8	-2.8	-1.5	-	0.0	-
Rental Market							
October Vacancy Rate (%)	0.5	1.4	1.5	1.9	0.4	1.4	-0.5
Two-bedroom Average Rent (October) ($)	965	1,001	1,024	1,040	-	1,055	-
One-bedroom Average Rent (October) ($)	764	790	806	810	-	820	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level (persons)	190,600	183,100	183,400	184,000	0.3	188,500	2.4
Employment Growth (%)	4.8	-3.9	0.2	0.3	-	2.4	-
Unemployment rate (%)	3.3	6.5	6.0	5.8	-	5.4	-
Net Migration	4,906	6,175	5,997	5,300	-11.6	5,500	3.8

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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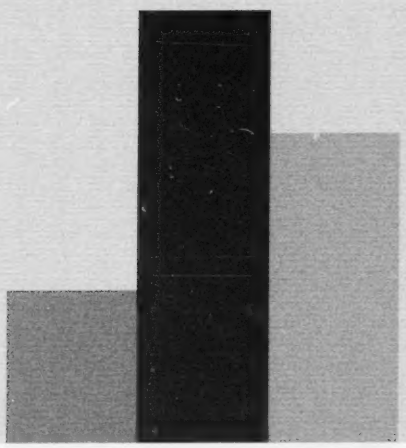

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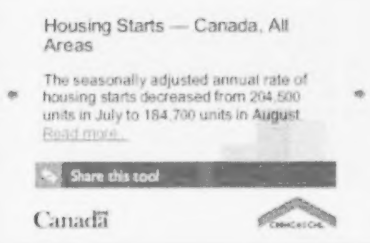
Housing Starts — Canada, All Areas
The seasonally adjusted annual rate of housing starts decreased from 204,500 units in July to 184,700 units in August.
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